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C O N F I D E N T I A L SECTION 01 OF 02 SHANGHAI 000219

SIPDIS

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SUBJECT: SHANGHAI SCHOLARS ZHANG NIANCHI PREDICTS SLOW PROGRESS IN  
CROSS-STRAIT RELATIONS

REF: (A) SHANGHAI 43; (B) SHANGHAI 212

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REASON: 1.4 (b), (d)

¶1. (C) Summary: In a June 16 meeting, Shanghai Institute for East Asian Studies President Zhang Nianchi expressed pleasure that talks between Taiwan and the Mainland have resumed, but cautioned against high expectations for future talks. Tough issues, including more international space for Taiwan, lay ahead and would unlikely be resolved in the near future. Beijing is intensely interested in whether the United States will change its Taiwan policies and cancel arms sales if relations between Taiwan and the Mainland improve dramatically. Poloff noted that the USG is pleased by progress on cross-Straits relations and urged that the Mainland take steps to encourage further progress, including considering ways of expanding Taiwan's international space. End Summary.

¶2. (C) Poloff called on Shanghai Institute for East Asia Studies President Zhang Nianchi on June 16 to get his reaction to the recently concluded talks between Association for Relations Across the Taiwan Straits (ARATS) Chairman Chen Yunlin and Straits Exchange Foundation (SEF) Chairman P.K. Chiang. SIEAS Deputy Director Hu Lingwei and Jiaotong University professor Zhuang Jianzhong, who recently joined SIEAS but still maintains his position at Jiaotong, were also at the meeting.

Process More Important Than Results

¶3. (C) Zhang said he was not surprised by the results of the June 11-14 talks between ARATS Chairman Chen and SEF Chairman Chiang, which he called unexceptional and expected. The most important part about the talks is that there is now a mechanism for the Mainland and Taiwan to discuss issues. For the past 10 years, the Mainland and Taiwan had no mechanism to resolve issues. Zhang noted that in addition, the talks are an indication that the Taiwan people have accepted the notion that both the Mainland and Taiwan are a part of China. He did not like to emphasize this point since there are many people in Taiwan who still support independence. However, the January Legislative Yuan (LY) and the March Presidential elections in Taiwan demonstrated that the people of Taiwan have moved away from Chen Shui-bian's destructive independence path and toward accepting the "One China" concept. Of course, there continues to be disagreements over the definition of "One China" and it will be a while before this issue is resolved.

## Tough Times Ahead?

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14. (C) Zhang predicted that future talks between the Mainland and Taiwan would be much more difficult. The June talks were just part of the first stage of discussions between the two sides. This stage, which will take place from June to September, will not touch on difficult issues. Stage two will begin in October when ARATS Chairman Chen will visit Taiwan. That stage will be more difficult because both Taiwan and the Mainland will be reluctant to compromise. Taiwan's reluctance stems from domestic political "checks and balances." President Ma Ying-jeou still has not consolidated his control over the KMT and must contend with strong DPP opposition to too many concessions. The Mainland will also be reluctant to concede on many issues. Zhang noted, however, that Beijing needs to have an open mind on Taiwan. Beijing should consider whether conceding on an issue will improve cross-Straits relations and also whether not conceding on an issue will lead to a deterioration of relations. He did not specify what issues will be raised during this stage of negotiations but said that political issues, including more international space for Taiwan, will only be dealt with during the third and fourth stage of negotiations.

15. (C) Zhang said that newly appointed ARATS Chairman Chen and State Council Taiwan Affairs Office Director Wang Yi are very competent and well suited for their jobs. Chen has considerable experience on cross-Straits issues. Wang has a great deal of diplomatic experience and will be able to handle difficult issues if they arise. He did not think that the appointment of Wang is an indication that Beijing is ready to provide more international space for Taiwan.

SHANGHAI 00000219 002 OF 002

## No Breakthroughs On International Space For Taiwan

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16. (C) According to Zhang, there will likely not be any breakthroughs to provide Taiwan with more international space in the near future. He said that Beijing is not too concerned with increasing the number of countries with which it has diplomatic relations. Many countries that have relations with Taiwan have signaled to Beijing that they are ready to break off relations with Taiwan and establish relations with Beijing. According to Zhang, Beijing has told these countries to slow down out of concern about how this would affect Ma Ying-jeou's Presidency.

17. (C) Diplomatic recognition by international organizations is of greater concern to Beijing. Zhang believes that it would not be a problem for Taiwan to join the WHO but it would be more difficult for it to join other organizations such as the World Bank and the United Nations. He said that it could be possible one day for Beijing and Taiwan to reach a compromise on this issue as long as Taiwan did not join these organizations as an independent state, however for the immediate future he did not expect any breakthroughs in this area.

## U.S. Policy Changes

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18. (C) Zhang said that Beijing is very interested in what effect Taiwan and Beijing's improved relations would have on USG policy. He said Beijing has commissioned many scholars to research this issue and determine whether the United States would change its long-standing policy of selling arms to Taiwan if cross-Straits relations stabilize. Poloff noted that the USG supports stable cross-Straits relations and is pleased by recent positive developments. In order to support these developments, Beijing should take measures to improve its image with the Taiwan people, including finding ways of allowing Taiwan to have more international space.

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